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RHMFISS/HQ USSOUTHCOM MIAMI FL
RUCPDOC/DEPT OF COMMERCE WASHINGTON DC
RUEATRS/DEPT OF TREASURY WASHINGTON DC

C O N F I D E N T I A L SECTION 01 OF 02 CARACAS 000137

SIPDIS
ENERGY FOR ALOCKWOOD AND LEINSTEIN, DOE/EIA FOR MCLINE
HQ SOUTHCOM ALSO FOR POLAD
TREASURY FOR MKACZMAREK
COMMERCE FOR 4332/MAC/WH/JLAO
NSC FOR DRESTREPO AND LROSSELLO
OPIC FOR BSIMONEN-MORENO
AMEMBASSY BRIDGETOWN PASS TO AMEMBASSY GRENADA
AMEMBASSY OTTAWA PASS TO AMCONSUL QUEBEC
AMEMBASSY BRASILIA PASS TO AMCONSUL RECIFE

E.O. 12958: DECL: 2020/02/03
TAGS: EPET EINV ENRG ECON VE
SUBJECT: Venezuela: Carabobo Round Closes, Winners to be Announced on February 10

REF: CARACAS 11

CLASSIFIED BY: Darnall Steuart, Economic Counselor, DOS, Econ;
REASON: 1.4(B), (D)

¶1. Summary: Two international consortia bid on two of the three Carabobo extra heavy oil projects in Venezuela. Companies from countries (Russia, China, and Brazil) with ideological affinities to Venezuela, reportedly abstained from the bid round. There is some speculation in Caracas that Iraq's recent bid round diluted international interest in the Faja. PDVSA is expected to announce the Carabobo winners by February 10. END SUMMARY.

¶2. (C) Petroleum AttachC) met with Mitsubishi Venezuela Director of Project Development Yasuyuki Ozaki (protect) on January 29, 2010. Ozaki spoke freely on a wide range of issues affecting the energy sector which are reported in septel. This message focuses on the extra heavy oil Carabobo bid round which PetAtt also discussed on January 29 with Chevron President for Latin America Wes Lohec (protect).

¶3. (C) Ozaki and Lohec confirmed that the Japanese consortium (Mitsubishi, Jogmec and Inpex) bid with Chevron and Venezuela's Suelopetrol on project 3 of the Carabobo bid round. India's ONGC, Spain's Repsol, and Malaysia's Petronas collaborated on a bid for project 1. Ozaki did not know of any other competition in the bid round and thought that project 2 might be divided between the two consortia that bid on projects 1 and 3. [NOTE: Project 1 includes blocks C1 North and C1 Center. Project 2 includes block C2 North and C4 West. Project 3 includes blocks C2 South, C3 North, and C5. END NOTE.]. Bidding companies gathered together with PDVSA on January 28 to register bids collectively. Thus, press reports that suggest PDVSA received a bid on all three projects are likely false. Lohec noted that PDVSA slightly modified two finance terms prior to the bid deadline, moving the date of the first bonus payment from two weeks prior to signing the agreement to form a mixed company to an unspecified date after the mixed company is formed. PDVSA also relaxed the depreciation schedule which positively changed the local tax implications for the projects.

¶4. (C) PDVSA is expected to announce the bid round winners on February 10. Ozaki stated that PDVSA intends to finalize the mixed company agreements for the new projects by the end of March, but Mitsubishi hopes to stretch negotiations out until the end of 2010. Lohec agreed that even post-award, negotiations on the creation of the mixed company would take several months.

¶5. (C) Ozaki confirmed that major international oil companies that had been expected to submit bids but did not included BP, Shell, Statoil, Petrobras, and the Total/CNPC consortium. Lohec suggested that the recent Iraq bid round and PDVSA's direct award of Junin blocks to a number of national oil companies had mitigated interest in the Carabobo round. On the margins of a VenAmCham event on January 27, Petrobras' General Counsel in Venezuela, Diogenes Bermudez (protect) confirmed to PetAtt that the Brazilian national oil company did not plan to bid on Carabobo. He shared that Brazilian President Lula had issued strict guidance to senior PetroBras leadership that a possible bid had to make economic sense and that Petrobras would need operational control of the joint venture.

¶6. (C) COMMENT: The mixed results from the Carabobo heavy oil round and the failure of the Mariscal Sucre natural gas round to

gain any bidders at all indicate that the private sector is weighing Venezuelan political risk as significant, especially as these are long-term projects spanning upwards of four decades. Post had expected a couple of other international oil companies to register bids in the Carabobo round just to get their foot in the door to book some of Venezuela's extensive reserves. The small number of bidders may also suggest a calculation that companies can wait longer, knowing that PDVSA cannot develop these resources on its own given its current financial position and human resources constraints. END COMMENT.
DUDDY